



Australian Government

export
finance
australia

Export Finance Australia

2021–2022 Corporate Plan

Introduction

As Chair of Export Finance Australia and on behalf of the Board as the accountable authority, I am pleased to present our 2021–2022 Corporate Plan.

The plan covers the four-year period from 2021–22 to 2024–25, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It also incorporates the requirements of section 49 of the *Export Finance and Insurance Corporation Act 1991* (EFIC Act).

James M Millar AM

Chair, Export Finance Australia

Contents


| | |
|---|----|
| Introduction | 2 |
| Acknowledgement of Country and Traditional Custodians | 4 |
| Purpose | 5 |
| Key activities | 7 |
| Operating context | 9 |
| › Environment | 9 |
| › Capability | 11 |
| › Risk | 12 |
| › Cooperation | 15 |
| Performance | 17 |
| › Performance measures | 17 |
| › Quantitative performance targets | 17 |
| › Qualitative performance targets | 19 |
| Appendix A: Statement of Expectations | 20 |
| Appendix B: Statement of Intent | 26 |



Acknowledgement of Country and Traditional Custodians

Export Finance Australia acknowledges the Traditional Custodians of this country throughout Australia and their continuing connection to land, sea and community.

We pay our respects to them, their cultures, and to their Elders past, present, as well as emerging leaders.



Purpose

Our purpose is to play an impactful role in financing Australian exports and interests, including overseas infrastructure development that delivers benefits to Australia.

We achieve our purpose by fulfilling our legislated functions, which are to:

- › facilitate and encourage Australian export trade and overseas infrastructure development by providing finance
- › encourage banks and other financial institutions to finance exports and overseas infrastructure development
- › provide information and advice about finance to help support Australian export trade
- › assist other Commonwealth entities and businesses in providing finance and financial services
- › administer payments in relation to overseas aid projects financed by the Commonwealth.

In performing our functions, the Government requires us to:

- › cooperate with and not compete with private financiers (operate within the 'market gap')
- › focus on supporting:
 - › small and medium-sized enterprises (SMEs)
 - › the infrastructure needs of Pacific island countries (including Timor-Leste) and the Indo-Pacific region
 - › defence-related exports
 - › critical minerals projects and related infrastructure.

In doing so, we must also have regard to Australia's international commitments relating to:

- › sustainable lending practices
- › environmental and social issues
- › the prevention of bribery and corruption
- › the security of 5G networks and future communication technologies.

We are a corporate Commonwealth entity with an independent Board that is responsible for managing our affairs. This includes determining our strategy, defining risk appetite and monitoring performance.

We are part of the DFAT portfolio of agencies, which includes Austrade and Tourism Australia. Our responsible Minister is the Minister for Trade, Tourism and Investment, the Hon Dan Tehan MP.

Supporting SMEs, corporates and governments to realise export opportunities

We support SMEs across a range of industries, from advanced manufacturing and defence to tourism and shipbuilding.

Our specialist expertise allows us to help with financing solutions for larger corporate and government projects. It also enables us to 'crowd in' Australian SMEs to project and transaction supply chains.

Our finance can assist SMEs and larger corporates to diversify their export business and fulfil orders for goods and services in new markets. Our global financing expertise, gained over 60 years, means we have deep experience in a diverse range of countries and markets.

Helping finance sustainable infrastructure in the Indo-Pacific region and beyond

The Australian Government's 2017 *Foreign Policy White Paper* details how Australia's economic and security interests are converging. To meet the challenges of an increasingly contested and competitive region, it sets out an agenda for shaping a regional balance that supports Australian interests, while reinforcing rules, norms and institutions that underpin our security and prosperity.

In support of this agenda, we continue to:

- › actively seek to support infrastructure financing opportunities in the Pacific and the broader Indo-Pacific region
- › provide transaction, operational and technical support to Australian Infrastructure Financing Facility for the Pacific (AIFFP), a \$2 billion development-focused infrastructure financing facility for the Pacific and Timor-Leste
- › along with DFAT, represent Australia in the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, with the US International Development Finance Corporation and the Japan Bank for International Cooperation.

Commercial Account (CA)

Under the CA we operate on a commercial basis, retaining all transaction income and bearing all risks and losses. Decisions under the CA are the responsibility of the Export Finance Australia Board.

National Interest Account (NIA)

Under the NIA our Minister can direct us to support classes of transactions that are in the national interest. We can also refer transactions to our Minister for NIA consideration. This might be due to a transaction being unsuitable for the CA due to its risk and return profile, size, tenor or significant exposure to the country of export.

The Commonwealth receives all income on NIA transactions. It also bears all risks and losses.

Providing defence export finance through the Defence Export Facility

As part of the Government's focus on building Australia's defence export capabilities, we administer the US\$3 billion Defence Export Facility.

This amount is an upper limit available under the NIA, not a separate pool of funding. As directed by our Minister, this facility provides a way for us to finance defence exports where we may not have been able to help under our CA.

Supporting the critical minerals sector

The Government expects us to place a greater focus on critical minerals projects and related infrastructure. This is to help diversify critical minerals supply chains and support the expansion of downstream processing in Australia.

We can provide commercial financing support to critical minerals projects and related infrastructure, or support businesses in the critical minerals export supply chain.

Where critical minerals are important to the defence supply chain, finance may be available through the Defence Export Facility.

Announcement of a proposed new equity financing capability

On 24 June 2021, the Government announced that it will seek to provide us with broader powers to finance transactions that serve Australia's national interests and priorities. On 4 August 2021, the Government introduced legislation that will enable us to provide equity finance in certain circumstances.

An equity financing power, once legislated, will allow us to better support overseas infrastructure development and export-linked Australian businesses in sectors of economic significance.

The proposed changes also bring us more in line with other export credit agencies (ECA) and will enable us to work more effectively with partner ECAs and other multi-lateral financing agencies.

Key activities

Our strategy is driven by our purpose and mandate. In recent years, this has been expanded to enable us to support a wider range of government-sponsored economic, policy and strategic objectives.

This includes:

- › a \$500 million COVID-19 Export Capital Facility, to support COVID-19 impacted businesses
- › an infrastructure financing power for the Indo-Pacific
- › a \$1 billion increase in our callable capital
- › Ministerial directions to focus on specific industry sectors and opportunities
- › encouragement to actively partner with like-minded international agencies.

Our Corporate Plan is framed by our strategic themes of 'Refine', 'Evolve' and 'Disrupt'. We seek to ensure our organisation is focused on driving simultaneous change across multiple time horizons to create greater impact and relevance.

While we continue to work across all strategic themes, our current focus is on our 'evolve' strategy. This means adapting our business model to help address the opportunities and challenges presented by the post-COVID-19 trade and investment environment, changing geopolitical landscape, and rapid transformation of digital and information management technologies.

CASE STUDY

ACTIVE APPAREL GROUP



Active Apparel Group (AAG) manufactures and exports high-quality leisurewear, sportswear, swimwear and activewear.

In response to the COVID-19 pandemic, AAG identified a pivot opportunity to manufacture and export non-medical grade reusable face masks to buyers in the US. We supported AAG with the working capital it needed to get started, enabling the team to meet tight timeframes to manufacture and export the masks.

The boost in working capital also helped AAG manage the freight costs that had escalated significantly due to COVID-19.

“

The welfare of our staff is paramount to us – and Export Finance Australia's support has meant we could retain our talent and maintain business continuity.”

Daniel Hawker

Co-Chief Executive Officer, Active Apparel Group

Export Finance Australia Strategy

Our individual strategic themes of **Refine**, **Evolve** and **Disrupt** are framed by our overall corporate objective of being financially sustainable within our Board's agreed risk appetite.

Refine our business model

Strategy 1: Increase customer awareness

Activities

- › Promote our solutions to small, medium and large businesses
- › Work with banks and other financial institutions to fully leverage our mandate

Outcomes

- › Increased awareness of Export Finance Australia in all targeted export market segments
- › Increased effectiveness: Australian export businesses get the financial support they need to reach new and existing markets
- › Increased financing support for infrastructure projects that typically have long lead times

Strategy 2: Improve customer experience

Activities

- › Simplify our products
- › Simplify our processes
- › Use our customer-facing digital platform more effectively

Outcomes

- › Improved customer experience
- › Improved transaction turnaround times

Evolve our business model

Strategy 1: Collaborate with the broader export and infrastructure finance ecosystem

Activities

- › Partner with Austrade to help Australian exporters access new and existing global markets
- › Collaborate with other financial institutions and government agencies
- › Work with other ECAs and multilateral agencies

Outcomes

- › New opportunities to reach exporters at scale through multiple channels
- › Expanded market reach through the Export Guarantee Scheme pilot
- › Increased engagement with other ECAs and multilateral agencies to deliver on infrastructure projects in the Pacific and the broader Indo-Pacific region

Strategy 2: Support Australia's national interest priorities

Activities

- › Use our infrastructure financing mandate to support the AIFFP and the Pacific Step-up
- › Actively seek opportunities in the defence and critical minerals sectors
- › Continue to support other Commonwealth entities as directed by our Minister

Outcomes

- › Efficient and effective delivery of NIA transactions, including those directly involving Indo-Pacific infrastructure, defence and critical minerals
- › Successful cooperation and partnering with Trilateral Infrastructure Partnership agencies on projects and transactions

Disrupt our business model

Strategy 1: Enhance our role to drive greater impact

Activities

- › Work with DFAT and other Commonwealth agencies to enhance the role we can play in support of Australia's export trade and investment objectives
- › Understand the global financial landscape to ensure our offering is relevant to the changing export environment and Australia's national interests

Outcomes

- › We support Australia's trade, innovation, investment and industry policies
- › We use our international network, through partnerships and collaboration, to benefit Australian businesses
- › Our mandate is fit for purpose

Strategy 2: Continue to leverage data and technology to enable our employees to better support customers

Activities

- › Manage our records digitally in line with the Government's *Building trust in the public record: managing information and data for government and community policy*
- › Seek out appropriate technologies to digitally transform our business and better service our customers

Outcomes

- › Optimised service delivery through better data capture, analysis and use
- › Ability to more efficiently service customers

Operating context



Environment

Our operating environment is influenced by factors such as:

- › the macroeconomic environment
- › stakeholder expectations
- › technology
- › our operating model.

Macroeconomic environment

The impact of COVID-19

The outbreak of COVID-19 has caused widespread economic disruption, leading to a sharp decline in new project investment globally. In response, governments have intervened with policies designed to bolster their economies and minimise the pandemic's economic impacts.

Asset prices have inflated, debt loads have increased and the focus on resilience and sustainability has accelerated. As such, many governments have expanded the mandates and capabilities of their national ECAs to actively support businesses and drive economic recovery.

Australia has fared better than many other nations in responding to the pandemic. However, ongoing restrictions in lending to COVID-19 impacted sectors – like tourism, aviation, food, agriculture and education – means that the market gap in these sectors may widen. We also have an opportunity to leverage our strong ECA relationships to drive new financing solutions to help support economic recovery.

The global trade environment

At the same time, global trade tensions are impacting key countries, markets and sectors, with strategic transactions becoming larger, more complex and time sensitive.

The pandemic has heightened awareness of supply chain vulnerabilities, accelerating trends at the firm and national level in diversifying export markets and sources of supply. Nations including Australia are seeking to incentivise an increase in local manufacturing of essential goods. While the export destinations we support are already highly diverse, geopolitical tensions have provided further impetus for us to help Australian exporters diversify into new countries and markets.

The COVID-19 crisis saw a dramatic fall in foreign direct investment in 2020, though flows into Asia were relatively resilient. That said, greenfield investments – typically the most productive types of investment – contracted. With the recovery of international investment now underway, the opportunity for us to facilitate overseas direct investment flows is increasing.

Aligning our support with the evolving needs of exporters will ensure that we continue to drive sustainable growth that benefits Australia. By providing more general working capital solutions, we can better support Australian businesses to diversify.

Environment

Climate change and other environment-related risks are also driving significant changes to how we expect to operate in the future.

Global policy commitments to transition economies from fossil fuels (thermal coal, oil and gas) to renewable energy and other low emissions technologies continues to gain momentum with climate risk an increasingly significant consideration. Commercial banks are withdrawing from fossil fuels financing and some OECD members are reducing the support their ECAs can provide to fossil fuel projects. This includes seeking to restrict ECA financing for fossil fuel-related projects via changes to OECD rules and governance arrangements.

We recognise that managing the physical and transitional risks of climate change will become increasingly difficult as time goes on. However, it will also generate increased opportunities to support overseas projects that deliver key renewables and low emissions technology inputs, like renewable power, hydrogen as well as domestic critical minerals projects.

In addition, we could expect this shift towards renewables and low emissions technologies to balance the widening market gap in the fossil fuels sector. We will need to factor in additional environmental, social and governance risk considerations. This will ensure we can effectively service Australia's energy sector and support our trading partners as they manage the transition to a low emissions economy.

Similarly, environment-related risks (e.g., biodiversity, deforestation etc.) are becoming more visible and actionable across financial markets.

Stakeholder expectations

Our strong capability has seen growing demand for us to provide additional services to other Commonwealth entities and agencies.

This may result in potential resourcing and skills capability issues in the short term. However, as the entities we support become more mature, we may be able to streamline or reduce existing services provided. This will create the capacity for us to focus on other key priorities as they arise, such as supporting the Government's strategic policy objectives, through innovative financing solutions.

Technology

Rapid technological transformation and digitisation across the globe have impacted the world economy – and Australia is at the forefront of that change. This provides an opportunity for us to leverage digital technology to enhance the customer experience – and optimise our processes to increase capacity across the organisation.

Technologies that augment the processing capabilities of machines with human-like intelligence could quickly disrupt the markets we operate in – and generate greater efficiency and growth. For example, artificial intelligence (AI) may enable us to streamline the credit assessment process and provide a better customer experience throughout our application process.

While technology offers some clear advantages to customers and stakeholders alike, it also poses risks – particularly in relation to data security and the security of cyber systems and networks. These risks will require careful consideration as we seek to use greater digitisation and automation in our business.

Our operating model

Today's consumers expect a high level of service. To meet these evolving expectations, we need to constantly review our operating model to ensure it remains customer focused – from the products we offer to how we deliver our services.

Capability

To deliver on our purpose and mandate, we must continue to build our capability. To do this, we are developing our people and supporting them with appropriate technology, systems and processes.

Our people and culture

Our People & Culture strategy underpins the themes and objectives set out in our Corporate Plan. To achieve this, we will focus on:

- › **Capability** – building capabilities and strengthening succession planning and talent management practices
- › **Culture** – introducing new ways of working in teams and enabling conversations that unlock opportunities and identify and manage risks
- › **Connections** – strengthening our Diversity and Inclusion strategy across the organisation, promoting equity and fostering belonging
- › **Collaboration** – evolving our operating model around our customer and stakeholder needs and facilitating stronger cross-collaboration between teams.

Our role as a market gap financier requires us to have highly capable professionals who are experienced and skilled in managing complex, often cross-border, finance transactions. We compete with major banks and other financial institutions for these highly sought skills necessary for our business.

We are supporting our workforce to meet our evolving mandate and the increased expectations of our customers and stakeholders. We are creating a working environment where our people can belong, grow and deliver.

Our most recent employee engagement score of 87 per cent is evidence of our commitment to this goal. We are also proud to have been acknowledged as a Great Place to Work in 2020.

Attracting key talent will also continue to be crucial, as highly skilled talent remains contested. As such, we are focused on strengthening our employee brand, engaging key talent pools, and encouraging interest in our purpose and culture. This will enable us to attract people with the specialist skills we need through a range of long and short-term arrangements.

Our four culture pillars



Best Places to Work 2021

Our people programs are focused on supporting employees to learn, grow and succeed. We have developed coaching and leadership programs for all leaders to enable strong teams. In addition, our 12-week women's group coaching program is enabling many future female leaders to ensure we close the gender gap.



In August 2021, we were very pleased to be recognised by WRK+ as number 5 of the *Best Places to Work 2021* for organisations with more than 100 employees.

Our systems and processes

We continue to embrace innovation in technology, systems and processes to improve our service delivery and enhance the customer experience.

This includes:

- › reviewing our internal and external systems to ensure they provide a seamless and customer-centric experience
- › focusing on business optimisation of our processes and systems
- › enhancing our customer-facing digital portal and internal support systems, to provide a high-quality and efficient customer experience
- › aligning our processes and systems to best-practice security standards to protect our organisation and customers.

Risk

We approach risk oversight and management in a way that helps us to achieve our strategy and objectives. Risk management is a critical enabler of our overall corporate objective of being financially sustainable within our Board's agreed risk appetite.

We systematically identify and manage risk to increase the likelihood and impact of positive events, while mitigating negative events.

We operate a 'three lines of defence' model for managing risk:

1. Business functions take responsibility for risks within their own operations.
2. Internal but independent risk and compliance functions review and improve our risk management controls.
3. Audits and reviews by Ernst & Young provide detailed reports on improving our risk management approach.

To provide more focus on our risk management function and approach, a new Head of Risk was appointed in early 2021 to support the Chief Risk Officer.

Risk management oversight

Risk-related policies, tolerances and operational limits are set by our Board, with support and specific oversight provided by the Board Audit and Risk Committee.

Our Executive and senior management teams are responsible for implementing our Board-approved risk management framework. However, we also emphasise that risk management and reporting is everyone's responsibility.

Our internal committees support our risk management processes and demonstrate individual accountability by the relevant Executive team members:

| Committee | Mandate |
|--|--|
| Executive Committee | <ul style="list-style-type: none"> › Examines all aspects of the business › Chaired by the Managing Director & CEO |
| Treasury Risk Review Committee | <ul style="list-style-type: none"> › Examines Treasury activities, limits, noteworthy transactions and current issues › Chaired by the Treasurer |
| Credit Committee | <ul style="list-style-type: none"> › Examines large potential transactions › Chaired by the Chief Credit Officer |
| Risk and Compliance Committee | <ul style="list-style-type: none"> › Reviews, monitors and improves our management of risk and compliance › Chaired by the Chief Risk Officer |
| Work Health and Safety Committee | <ul style="list-style-type: none"> › Examines workplace risks and reports any hazards or safety problems that may cause harm or injury to employees, contractors or visitors › Chaired by the Chief Risk Officer |
| Business Continuity Planning Steering Committee | <ul style="list-style-type: none"> › Coordinates Business Continuity Planning and Crisis Management › Chaired by the Chief Risk Officer |

Risk culture

Our risk culture and risk management foundations include:

- › an open and transparent risk culture that seeks to anticipate, avoid and mitigate risks before they occur, and which always seeks to learn and improve
- › a culture of consultation and speaking up about potential issues
- › an employee performance system that requires and rewards robust risk management behaviours
- › strategies to recruit, develop and retain employees who have the required specialist skills to support the delivery of our mandate
- › rigorous control processes, including management reporting, supported by Board oversight and independent review
- › strong policies and procedures, supported by robust systems and processes
- › clear lines of responsibility and accountability for achieving set outcomes
- › a continual focus on uplifting risk management processes including enhancing the use of data.

CASE STUDY

NOMAD DESIGN TACKLE



Nomad Design Tackle designs and sells a range of niche tackle products as an online retail and distribution business.

When Nomad Design Tackle had an opportunity to supply to one of the biggest fishing retailers in the US, we provided finance to deliver its contract.

After successfully exporting tackle products to markets around the world, including New Zealand, South Africa and Southeast Asia, Nomad Design Tackle caught the attention of Bass Pro, the biggest fishing retailer in the US.

To fulfil new orders, Nomad Design Tackle required finance, but was unable to secure it from commercial banks.

Export Finance Australia initially provided Nomad Design Tackle with a Small Business Export Loan, enabling the business to fulfil its large US contract.

After securing further overseas orders, we provided an Export Line of Credit to allow Nomad Design Tackle to grow the global business further.

“

Export Finance Australia helped us make it happen. It's fulfilling its role perfectly in the finance sector – especially for companies with a great idea and a market for it. I don't know how small businesses like ours would manage without the support we've had. ”

Claire Gobe

Director, Nomad Design Tackle

Key risks

We have developed an enterprise-wide risk management framework that identifies the key risks facing the organisation and the controls we have in place.

Key risks and associated mitigation strategies include:

| Key risks | Mitigating strategies |
|---|--|
| Prudential and capital management risk | <p>Although we are not directly regulated by the Australian Prudential Regulation Authority (APRA), we are guided by APRA prudential standards in managing financial risk.</p> <p>Our approach to capital management is based on:</p> <ul style="list-style-type: none"> › assessing the level of appetite for risk, and › ensuring the level and quality of capital is appropriate to that risk profile. <p>Capital also supports our normal operations by providing a buffer to absorb unanticipated losses from our CA business activities.</p> <p>We are also supported by a Commonwealth guarantee. There is no capital set aside for NIA transactions as the risks are borne by the Commonwealth.</p> |
| Credit risk | <p>We have an independent credit function that reviews and assesses the credit and country risks for individual transactions and projects and provides advice to the Managing Director & CEO and the Board.</p> <p>Risk mitigation strategies include:</p> <ul style="list-style-type: none"> › Credit Policy and detailed Credit Manual › ongoing risk monitoring on a portfolio basis, including stress testing › high risk and non-performing asset reporting processes › country surveillance reports › credit memorandums that identify any exceptions to the Credit Policy. |
| Social and environmental risk | <p>We conduct comprehensive due diligence and consider the social and environmental impacts of our financing activities by applying our Policy for Environmental and Social Review of Transactions.</p> <p>This policy confirms that we:</p> <ul style="list-style-type: none"> › are bound by the <i>OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence</i> › apply the Equator Principles, a globally recognised benchmark used by many financial institutions to manage environmental and social risk in projects › apply the International Finance Corporation's environmental and social performance standards as a benchmark. <p>These standards were selected as widely used and understood global benchmarks. However, if a higher benchmarking standard applies to a particular transaction, we will apply that higher standard.</p> |
| Cyber risk | <p>We have a broad range of policies and tools to mitigate cyber risks and to comply with the Government's <i>Essential Eight</i> cyber security strategies.</p> <p>These mitigating strategies include security monitoring tools, firewalls and penetration testing. Regular cyber security training is also provided to all employees. We also engage an external security provider who undertakes an annual assessment of the strength of our online environment.</p> |

Cooperation

Our partnerships

To help drive Australia's trade success and interests, we will continue to strengthen partnerships with financial institutions, government agencies, industry groups and other organisations.

Building strong partnerships helps us to broaden our reach, build our capabilities and increase the number of businesses we support.

Who are our partners?

Australian and State and Territory Government agencies

- › DFAT
- › Austrade
- › Tourism Australia
- › Department of Industry, Science, Energy and Resources
- › Australian Defence Export Office
- › Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- › State, Regional and Territory agencies

Peak industry groups and sector associations

- › Wine Australia
- › The Australian Manufacturing Technology Institute Limited
- › Australian Fashion Council (AFC)
- › Austmine
- › Defence Teaming Centre

Business chambers and councils

- › Business Australia (formerly NSW Business Chamber)
- › Council of Small Business Organisations Australia (COSBOA)
- › Australia Papua New Guinea Business Council
- › Australia Pacific Islands Business Council
- › Australia Fiji Business Council

Private sector, including banks and professional services firms

- › Banks and other financiers, both local and international
- › The major accounting firms
- › Select private equity firms
- › Select law firms

Our partnerships will ensure we provide a more seamless experience for customers seeking government support.

Our partnership with Austrade

We will continue to collaborate with Austrade to:

- › take a proactive, customer-focused approach to partnership outcomes
- › harness and share collective capabilities and resources
- › provide a mechanism to align work across agencies
- › adapt activity plans to learn and evolve to meet changing customer needs
- › provide direct referral channels to support more Australian businesses.

Sector alignment

We have a strong sector focus and work with many agencies and associations to support businesses in these sectors. With our continued focus on helping tourism businesses, we will work closely with Tourism Australia.

We continue to reach more manufacturing businesses through our work with one of CSIRO's Industry Growth Centres – the Advanced Manufacturing Growth Centre – and the Australian Manufacturing Technology Institute Limited.

CASE STUDY

INTREPID GROUP LIMITED



Headquartered in Melbourne, Australia, Intrepid Group Limited (Trading as Intrepid Travel) is the largest adventure travel company globally. In 2019, it carried 460,000 customers on unique trips across Australia and around the world.

When international borders closed, we were able to provide financial support to ensure Intrepid Travel could prepare for rapid growth once global travel resumes.

Historically, Intrepid Travel had always been self-funded, running a profitable business from day one through reinvesting funds into the organisation and being financially conservative. While this stood the business in good stead, James Thornton, Intrepid Travel CEO, highlighted that COVID-19 impacted all travel businesses and revenues had been hugely depleted.

This is when the team started talking to the Government about what options might be available, and was connected with Export Finance Australia.

“

Export Finance Australia's support will be critical in helping us position the business for rapid growth once international borders reopen.”

James Thornton
CEO, Intrepid Travel



Performance

Our key performance measures and targets are aligned with our purpose and mandate. They are supported by our overall strategy and risk appetite, as set out and monitored by our Board.

Performance measures

Given the nature of our business, accurately forecasting performance over a four-year period can be difficult and highly dependent on external factors. Because we operate in the market gap and do not compete with banks or other financial institutions, financing needs in any particular year can vary considerably based on the risk appetite of these organisations.

As such, our performance targets for the next four years provide our best estimate on the expected level of quantitative business activity as well as reflecting qualitative business metrics. Our key performance targets (KPIs) for the Corporate Plan period, also consider the effects of COVID-19 and longer-term economic scenarios.

As in previous Corporate Plans, our targets for later years are dependent on achieving planned outcomes in the preceding years. In 2020–21, several transactions were delayed or did not proceed as a result of the political and economic impacts of COVID-19.

Similarly, we provided financing support to a number of customers in FY21 that experienced temporary disruptions to their supply chains and working capital due to the pandemic. These customers may not require support in future years.

Quantitative performance targets

Performance targets for the CA and NIA are shown as an aggregate. However, the financials only reflect the CA. That is because the Commonwealth receives all net income on the NIA and must reimburse us for any losses under the NIA.

Transactions on the NIA also include facilities written under the Defence Export Facility and the AIFFP.

It's also worth noting that 77 per cent of our income is derived in US dollars (USD). This means movements in USD interest rates and exchange rates can have a significant impact on our profitability.

Table 1: Quantitative performance targets

| | Commercial and National Interest Account Total PSF and SME | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---------|---------|---------|---------|
| Transactions completed on the CA and NIA | Value of facilities signed (A\$ millions) | >\$1.1b | >\$1.2b | >\$1.3b | >\$1.4b |
| Customers supported on the CA and NIA | Number of customers supported | >125 | >170 | >225 | >275 |
| | Number of new customers supported | >44 | >84 | >154 | >212 |
| CA Financials | CA profit (pre-tax) \$m | >\$12m | >\$15m | >\$18m | >\$20m |

Our NIA performance targets have been prepared on the basis that we will successfully close a one-off large-scale Indo-Pacific infrastructure transaction during the 2021-22 financial year. There is a risk that some transactions may not proceed for reasons which are outside our control. Failure to successfully close some transactions will have a material impact on our ability to achieve the performance targets.

Qualitative performance targets

Considering the performance targets we have outlined, it is important to note that they do not fully capture our activity or our broader contributions. When we step forward to assist a customer on the CA, our intended participation often encourages the participation of other financiers. This catalytic role is consistent with our mandate to 'crowd in' the private sector and in many cases may require us to step away from a transaction or project.

Based on our experience in 2020-21, we expect to support customers and the Government on various financing transactions, which may not proceed for a range of reasons outside our control. Our involvement and contributions in these circumstances, although important, will not contribute to the realisation of our financial performance targets.

Similarly, we work closely with the Government on potential transactions for the NIA. The decision on whether to support an NIA transaction rests with our Minister. However, before a transaction is presented to our Minister for consideration, significant due diligence and credit work is undertaken by our teams.

We outline performance risks in the previous section, which should be considered when assessing our planned outcomes outlined in Table 2.

Table 2: Qualitative performance targets

| Our functions* | |
|---|---|
| Target | How we'll achieve it |
| Facilitate and encourage Australian export trade and overseas infrastructure development | <ul style="list-style-type: none"> › Leverage the CA and the NIA to support a pipeline of transactions and projects that meet the requirements of our mandate and thereby contribute to Australia's trade and investment objectives › Achieve positive customer advocacy and engagement metrics |
| Encourage other financiers to support export trade and overseas infrastructure development | <ul style="list-style-type: none"> › Collaborate and partner with banks and other financiers to support more exporters and overseas infrastructure development, transactions and projects |
| Provide information and advice about export and infrastructure finance | <ul style="list-style-type: none"> › Leverage our wider government and alliance partner network to provide timely information on a range of issues, to promote our finance offering |

* See page 5 for a comprehensive list of our functions.

Appendix A: Statement of Expectations



Senator the Hon Simon Birmingham

Minister for Trade, Tourism and Investment
Leader of the Government in the Senate
Senator for South Australia

Mr James M Millar AM
Chair
Export Finance Australia
Level 10 Export House
22 Pitt Street
SYDNEY NSW 2000

Dear Mr Millar

A handwritten signature in blue ink, appearing to read 'Simon', written over the printed name 'Dear Mr Millar'.

This letter sets out the Australian Government's revised statement of expectations for Export Finance Australia. This statement outlines the Australian Government's key priorities and objectives for Export Finance Australia, consistent with section 34 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It replaces the statement of expectations sent to you on 14 May 2020.

Mandate and scope of operations

The Government considers Export Finance Australia to play an important role in facilitating exports, including by supporting overseas infrastructure development. As outlined in the *Export Finance and Insurance Corporation Act 1991* (the 'EFIC Act'), Export Finance Australia will continue to:

- facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade;
- provide finance for overseas infrastructure development;
- encourage banks and other financial institutions carrying on business in Australia to finance, or assist in financing, export contracts or eligible export transactions or overseas infrastructure development;
- administer payments and related matters under export contracts in respect to overseas aid projects for which money was made available by the Commonwealth;
- assist Commonwealth entities and companies by providing services in relation to financial arrangements and agreements; and
- provide information and advice about finance and insurance arrangements to support Australian export trade.

Adelaide
107 Sir Donald Bradman Drive, Hilton SA 5033
Ph 08 8354 1644

Canberra
Parliament House Canberra ACT 2600
Ph 02 6277 7420

Appendix A: Statement of Expectations

Export Finance Australia must not provide financial services or products on its Commercial Account unless Export Finance Australia is satisfied that private sector providers ordinarily carrying on business in Australia are unable or unwilling to support financially viable business activities. Export Finance Australia should ensure its activities fill the 'market gap' where private sector finance is not forthcoming. I expect Export Finance Australia to monitor the capacity of commercial markets and to take this into account when determining the scope of its activities.

The Government decided in 2014 to place greater emphasis on supporting small and medium-sized enterprises (SMEs) seeking to expand their opportunities in overseas markets. I have determined that a 'market gap' for finance exists for SMEs. I therefore welcome Export Finance Australia's focus on continuous improvement to make it easier for SMEs to access its services, and I expect Export Finance Australia to simplify its services and processes to ensure SMEs can access finance expeditiously in order to develop new markets and expand their businesses overseas. As part of its monitoring of commercial markets, I expect Export Finance Australia to consider whether a 'market gap' continues to exist for SME finance and, should this change, to advise me accordingly.

I expect Export Finance Australia to support a wide range of SMEs, including tourism operators, online businesses, exporters of intellectual property and other related rights, and businesses engaged in overseas direct investment.

While prioritising Export Finance Australia's support for SMEs facing challenges accessing finance, the Government recognises that large projects or firms can help SMEs access markets through supply-chain participation. To achieve a balance in the level of support for large transactions, the following stipulations around the support Export Finance Australia can provide to large projects or firms will continue to apply. Export Finance Australia shall only provide support for domestic or overseas resource projects (and related infrastructure) on its Commercial Account, where the Export Finance Australia Board is satisfied, after careful review:

- there is a demonstrated market gap in the availability of finance;
- the transaction does not come at the expense of SME transactions;
- the project has significant Australian content including through SME supply chain participation, and/or benefit; and
- the project is financially viable.

I expect Export Finance Australia to focus on critical minerals projects and related infrastructure to diversify critical mineral supply chains and move further up the value chain. Export Finance Australia should work alongside other Commonwealth financing bodies and the Critical Minerals Facilitation Office.

Export Finance Australia may continue to provide support to SME suppliers of domestic resource projects (and related infrastructure) where the SME good or service is integral to the performance of a resource export project (and related infrastructure).

I expect Export Finance Australia to provide finance for overseas infrastructure projects that it reasonably expects to result in positive outcomes for Australia or Australians. Export Finance Australia should only provide overseas infrastructure financing where Export Finance Australia can demonstrate that it is likely to result in an Australian benefit.

Appendix A: Statement of Expectations

Benefits to Australia include, but are not limited to, greater Australian (including SME) participation in supply chains, access to new markets for Australian businesses, more Australian jobs, payments or dividends or other financial proceeds from overseas to Australia.

In respect of financing of overseas infrastructure projects, I expect Export Finance Australia to reasonably satisfy itself through due diligence, consistent with its existing processes, and expert advice as needed, including from the Department of Foreign Affairs and Trade (DFAT), the infrastructure project is appropriate for the relevant nation and the governance surrounding project procurement is sound. In doing so, Export Finance Australia should also ensure there is appropriate compliance, as applicable, with:

- the OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits and its own additional debt sustainability due diligence procedures;
- the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence;
- the OECD Recommendation of the Council on Bribery and Officially Supported Export Credits;
- the Prague Proposals; and
- the Equator Principles.

Export Finance Australia is to encourage Australian participation in any overseas infrastructure projects that it finances. It should support Australian businesses and encourage stronger commercial links between Australia and our region. In carrying out its new function, it should help Australian companies, especially SMEs, expand into overseas markets.

I expect Export Finance Australia to focus particularly on the infrastructure needs of Pacific island countries (including Timor-Leste). Export Finance Australia may also consider infrastructure projects more broadly in the Indo-Pacific region. For infrastructure projects elsewhere, Export Finance Australia may not rely on its powers under section 18A or 23A of the EFIC Act alone in support of overseas infrastructure development.

I expect Export Finance Australia to work closely with DFAT to ensure the timely and effective implementation of the Australian Infrastructure Financing Facility for the Pacific (AIFFP). Export Finance Australia's financing for infrastructure in Pacific island countries should complement the AIFFP. When infrastructure projects have strong commercial prospects, they should be first considered by Export Finance Australia on its Commercial Account. Together, Export Finance Australia financing for infrastructure and the AIFFP will help address the infrastructure needs of Pacific island countries.

The Government expects Export Finance Australia, subject to my approval and legislative authority, will make available its specialist financial capabilities to Commonwealth entities and companies. If called on to provide such financial capabilities to Commonwealth entities and companies, Export Finance Australia must ensure that such activities do not occur at the expense of its primary purpose. Export Finance Australia will take steps to minimise the impact of work it performs for the Commonwealth on its capacity to assist exporters and overseas infrastructure projects, including by the charging of appropriate fees for such services.

Appendix A: Statement of Expectations

Pricing arrangements

I expect Export Finance Australia's Commercial Account operations to be conducted on a commercial basis. As such, the pricing of Export Finance Australia's products and services should not undercut the private sector where private sector support is present, nor undercut pricing for comparable risks when private sector support is absent. This enhancement of Export Finance Australia's demonstration role is central to Export Finance Australia meeting its policy objective of helping commercially viable exporters and overseas infrastructure projects overcome financial barriers while also encouraging private sector participation.

In addition to the enhanced pricing disclosure arrangements, and within appropriate confidentiality and legal parameters, I expect Export Finance Australia to share the pricing and terms of its transactions with relevant financiers operating in the domestic market. This will help demonstrate that commercial returns are possible and encourage private sector financiers to take on Export Finance Australia clients.

Export Finance Australia is to maintain its demonstration role to private finance providers. I therefore expect Export Finance Australia to use its judgement to ensure that the provision of multiple facilities to the same firm over a period of time is not displacing a service that could be provided by the private finance sector.

Competitive neutrality charges should continue to apply to Export Finance Australia, except that the Debt Neutrality Charge does not apply to transactions on the National Interest Account.

It is my expectation that the National Interest Account should also normally be conducted on a commercial basis. Any risk on the Commercial Account is not to be transferred to the Commonwealth without specific authorisation from me, as Minister for Trade, Tourism and Investment.

Governance and reporting

As a corporate Commonwealth entity, as defined in the PGPA Act, Export Finance Australia is subject to the accountability, management, performance and reporting requirements specified in that Act. I expect Export Finance Australia's Board and senior management to manage Export Finance Australia's financial matters with care and diligence in accordance with the applicable obligations of the PGPA Act and the EFIC Act. Together you should strive to maintain a culture of professionalism and continuous improvement throughout the organisation.

Export Finance Australia should continue to maintain systems to manage its risks. While Export Finance Australia is not an Authorised Deposit-taking Institution, it should continue to be guided by the Australian Prudential Regulation Authority in managing financial risk. Export Finance Australia will also provide regular reporting to DFAT, the Treasury and the Department of Finance on its cumulative exposures per industry and per country.

Export Finance Australia should continue to provide reports to me semi-annually on the risk the Commonwealth is bearing directly through the National Interest Account. Commonwealth exposures will continue to be reported through the statement of risks in the Budget papers.

Appendix A: Statement of Expectations

I expect Export Finance Australia to publish, through its on-line register, information on all transactions within eight weeks of signature. This will include, at a minimum, the name of the client, the sector, the goods/services or overseas infrastructure involved, the country, the type of facility and the value of the facility of the export or overseas infrastructure support. Export Finance Australia should also confirm, on its on-line register and in respect of each transaction, that the transaction is in compliance with the statement of expectations.

Export Finance Australia should continue to publish its *Policy and Procedures for environmental and social review* and regularly review the policy to ensure it is consistent with best-practice environmental and social standards, including the IFC Performance Standards, the OECD Guidelines for Multinational Enterprises, the Equator Principles and the OECD Common Approaches. Export Finance Australia should continue to publicly disclose its prospective involvement in transactions associated with projects that have potentially significant adverse environmental or social impacts (Category A projects).

Other matters

In addition to the requirements above, and your responsibilities under the EFIC Act and the PGPA Act to provide me and the Minister for Finance with a range of information and services, Export Finance Australia is also to:

- provide products and services having regard to the Australian Government's World Trade Organization (WTO) and other international commitments, including the United Nations Convention against Corruption;
- comply with the OECD Arrangement for Officially Supported Export Credits;
- where Export Finance Australia considers it appropriate, attend international forums such as the Paris Club, the OECD, the International Working Group on Export Credits, and the WTO;
- advance infrastructure financing and investment cooperation in our region through support for regional cooperation initiatives to which Export Finance Australia is a party;
- provide DFAT and any other relevant agencies with any non-legally privileged information they request to support them in preparing advice on policy related aspects of export credits and Export Finance Australia's operations;
- comply with Government and Parliamentary requirements in relation to the provision of information, noting exceptions available under the *Freedom of Information Act 1982* and the possible availability of public interest immunity;
- inform me and DFAT of any approaches, whether bilaterally or multilaterally, to restructure or relieve outstanding Development Import Finance Facility loans; and
- comply with Ministerial Directions, including those relating to the Democratic People's Republic of Korea, Iran, Zimbabwe and the exploitation of uranium, as well as with Australian laws implementing United Nations Security Council and Australian autonomous sanctions.

I expect Export Finance Australia and DFAT to have a Service Level Agreement in place in relation to the management and administration of the National Interest Account.

Export Finance Australia should work closely with DFAT, Austrade and other government agencies in delivering their services to Australian businesses. This will involve a coordinated approach at all levels between the organisations.

Appendix A: Statement of Expectations

I look forward to receiving a response from you on Export Finance Australia's plans to meet these expectations. Per usual practice, Export Finance Australia should make these intentions and expectations publicly available.

Yours sincerely



Simon Birmingham

24 November 2020

cc. Senator the Hon Marise Payne, Minister for Foreign Affairs

Appendix B: Statement of Intent



3 December 2020

Senator the Hon Simon Birmingham
Minister for Trade, Tourism and Investment
Minister for Finance
Parliament House
Canberra ACT 2600

Dear Minister Birmingham

Thank you for your letter dated 24 November 2020 setting out the Government's revised expectations concerning our operations and performance. I am pleased to respond by confirming that we will direct our operations to meet your expectations. This letter replaces the previous Statement of Intent dated 25 June 2020.

As is our usual practice, we will make this letter and your expectations publicly available.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "James M. Millar", with a stylized flourish at the end.

James M. Millar AM
Chairman



Australian Government

export
finance
australia

1800 093 724
exportfinance.gov.au